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American Institute of Certified Public Accountants.

Wade S. Williams

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# AICPA *Washington Report*

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## FEDERAL ENERGY ADMINISTRATION

A panel discussion will be held 7/12/77 on the issues related to alternative means by which the FEA can develop comprehensive oil and gas reserves data. The meeting will be held in Conference Room B, Departmental Auditorium, Old Labor Department Building, Constitution Avenue between 12th and 14th Streets, Washington. Additional information may be obtained by calling 202/566-9364, and a brief notice summarizing the issues was contained in the 6/14/77 Fed. Reg., p. 30426.

A proposed energy measures list which is to be combined with the proposed energy audit rulemaking appeared in the 6/10/77 Fed. Reg., pp. 29906-14. The proposal is to combine the energy measures with the energy audit proposals in one consolidated part. The energy measures would be used by states participating in the program for supplemental state energy conservation plans. Comments on the proposals are due by 6/30/77, and hearings will be held in Washington on 6/29/77.

## FEDERAL HOME LOAN BANK BOARD

Accounting Bulletin PA-7a providing guidance to savings and loan associations concerning minimally accepted standards in connection with annual audit requirements has been published (see 6/10/77 Fed. Reg., pp. 29962-64). The Bulletin has been in effect since 1975, and this publication includes a number of modifications made in May, 1977.

A package of financial reform bills has been introduced by Sen. McIntyre (D-NH), Chairman of the Senate Banking Subcommittee on Financial Institutions. The package of 7 bills (S.1664-1670) represents Administration and industry proposals on a variety of financial matters impacting on credit unions and savings and loan associations. A reprint of the bills and Sen. McIntyre's statements upon introduction appeared in the 6/9/77 Cong. Record, pp. S9318-39. Mr. McIntyre also announced that hearings will be held on the bills in his Subcommittee on 6/22 and 6/23/77.

## FEDERAL MARITIME COMMISSION

Proposed financial responsibility rules which will apply to all operators of vessels loading oil at terminal facilities of the Trans-Alaska Pipeline have been published (see 6/15/77 Fed. Reg., pp. 30584-98). Section 543.6 outlines procedures for establishing financial responsibility and requires financial statements to be certified by a CPA. Comments on the proposals are due by 6/30/77.

## FEDERAL POWER COMMISSION

Miscellaneous amendments and corrections to the FPC regulations were published in the 6/16/77 Fed. Reg., pp. 30612-17. The amendments correct a number of errors and misprints which have occurred over a period of time in the promulgation of the regulations. Many of the changes affect the Commission's uniform system of accounts and related regulations.

## FEDERAL TRADE COMMISSION

Guidelines for public participation in rulemaking proceedings under the Magnuson-Moss Warranty-FTC Improvement Act appeared in the 6/14/77 Fed. Reg., pp. 30480-87.

The first part of the guidelines provides a step-by-step explanation of the Magnuson-Moss rulemaking proceedings, and the second part is a "How-To" booklet describing the details of the application process for receiving reimbursement for participating in rulemaking proceedings. The Commission has announced that it will entertain comments for changes, although the guidelines were published in final form.

#### HEALTH, EDUCATION, AND WELFARE, DEPARTMENT OF

The results of a project entitled "Analysis of Incentive Reimbursement System for Health Care Long Term Care Services Provided for Elderly and Long Term Disabled" was published in the 6/14/77 Fed. Reg., pp. 30425-36. The goal of the project was to develop an incentive reimbursement system for the long term care industry and the results of the study appear to favor the development of such a system.

#### INTERIOR, DEPARTMENT OF

Candidates are being sought for the position of Government Comptroller for the Virgin Islands. Applicants for this GS-15 position should demonstrate a knowledge of accepted auditing and accounting principles, be able to develop and operate a comprehensive audit work plan, have experience in internal management and financial audits, and be able to adjust to life in the Virgin Islands cultural background. The Government Comptroller is responsible for the audit of all accounts, and for auditing in accordance with law and administrative regulations all expenditures of funds and property pertaining to the government of the Virgin Islands. The closing date for applications is 7/1/77, and additional information may be obtained by calling 202/343-3962.

#### LABOR, DEPARTMENT OF

A Commission will be appointed to study the nation's system of retirement programs, both public and private, according to the President. At a news conference last week, the President stated that he is concerned about the wide difference in retirement benefits that can be expected among Americans and the fact that many government retirement programs are unsound at the state and local levels. Mr. Carter also indicated that he will examine the problem of "double-dipping", involved where retired military personnel or other government employees already receiving full government pensions start a new career in the government earning additional federal money.

#### OFFICE OF MANAGEMENT AND BUDGET

A comprehensive assessment of joint funding and management of domestic federal aid programs has been proposed (see 6/14/77 Fed. Reg., pp. 30454-55). It is proposed that the study involve both the field and Washington agency headquarters with participation by public groups and the federal regional councils. The timetable is to complete the reviews by early August with an invitation for comment in the Federal Register, followed by a final report in mid-September. Comments and suggestions concerning joint funding policies and procedures and the conduct of the assessment are requested by 7/15/77.

At a meeting last Thursday of the Business Advisory Council on Federal Reports, it was announced that as of 7/1/77, OMB will discontinue all advisory committees and the Council will lose its official status. Joseph Duncan, Deputy Associate Director for Statistical Policy, read a letter to the group from Director Bert Lance that OMB will continue to review the group's deliberations and

recommendations concerning paperwork problems. Mr. Lance also believes that the group's independence will be enhanced by its separation from affiliation with a specific federal agency. Mr. Duncan explained that the move was in keeping with the President's commitment to reduce the number and size of advisory committees across the board.

A revision to OMB Circular A-76 intended to reduce government contracting out for goods and services was published in the 6/15/77 Fed. Reg., p. 30556. The revision reduces the cost factor for civil service retirement from 24.7% to 14.1%. This is the factor for computing the retirement costs of civilian personnel services when determining whether it will be cheaper to use in-house employees or outside contractors. According to Administrator for Federal Procurement Policy Lester Fetting, federal agencies are being told to be "careful and judicious in the selection of activities for consideration as to whether they should be performed in-house or by contracts."

#### PAPERWORK COMMISSION

The Commission has recommended that the FTC revise its line of business reporting programs to make it more compatible with existing corporate accounting systems. In a 200-page draft report entitled "A Study of Segmented Financial Reporting", the Commission said "a new classification system should be built that to the maximum extent possible is compatible with the segment reporting established by the FASB." They stopped short of recommending abandonment of the IB program, and noted that their recommendations are prospective. A limited number of copies of the report are available by calling 202/653-5400.

#### SECURITIES AND EXCHANGE COMMISSION

Thirty-six accounting series releases and one related Securities Act release have been rescinded. In ASR 220, the Commission announced that they were rescinding these releases because they no longer have current application or have been superseded by other pronouncements, rules or standards. The rescission is effective 6/30/77.

Due to the high priority assigned to the President's energy proposals, it is reported that the illegal payments bill may not receive full committee consideration for at least a month. The bill (HR 3815) is presently pending consideration by the House Interstate and Foreign Commerce Committee, but that committee does not anticipate completing hearings on the energy legislation until about the week of July 11th. There may be additional delays while the Special Ad Hoc Energy Committee correlates the reports of the various standing committees considering aspects of the energy bill.

HR 3815 was approved last month by the House Commerce Subcommittee on Consumer Protection and Finance and as approved differs from the Senate passed version (S.305) in that it does not contain any accounting provisions.

#### SMALL BUSINESS ADMINISTRATION

John M. Trask, Jr. has been sworn in as Associate Administrator for Finance and Investment. Mr. Trask, formerly a South Carolina bank president, will administer the SBA's loan portfolio and serve as the SBA's principal advisor on lending and investment programs.

A hearing to review the small business study conducted by the SBA's Chief Counsel for Advocacy will be held 6/29/77 by the Senate Small Business Subcommittee on

Government Regulations and Small Business Advocacy. The study was authorized by Congress last year in order to develop "solid information" about small business and to evaluate and suggest solutions to small business problems. According to Sen. McIntyre (D-NH), "the study was doomed from the beginning" because no Chief Counsel for Advocacy was ever appointed, and the funds for the study were never appropriated. Mr. McIntyre stated that the SBA must be given credit for gathering \$300,000 to conduct the study and that even though the study "falls sadly short of covering the 10 points which Congress said it wanted covered", the agency's intent is commendable.

#### TRANSPORTATION, DEPARTMENT OF

Finalized regulations governing applications under Section 505 of the Railroad Revitalization and Regulatory Reform Act of 1976 concerning the purchase of redeemable preference shares appeared in the 6/6/77 Fed. Reg., pp. 28976-87. The regulations require exhibits as part of the application which include the applicant's most recent year-end general balance sheet "certified by applicant's IPAs" (Exhibit C); applicant's most recent annual income statement, also certified (Exhibit D); and, in Exhibits E and G, certain financial forecasts.

#### TREASURY, DEPARTMENT OF

The IRS has announced that it no longer requires partnerships to list the names of all partners on Form SS-4, Application for Employer Identification Number. Only the name of one principal partner will be required. Due to printing costs, the IRS will not revise the form until current supplies are exhausted and has instructed partnerships to continue to use the current form.

Proposed regulations relating to the public inspection of written determinations, which are rulings, determination letters, and technical advice memoranda, have been issued by the IRS (see 6/17/77 Fed. Reg., pp. 30868-75). The regulations would provide the public with the guidance needed to take advantage of the new provisions under the 1976 TRA, and would affect taxpayers who request a written determination as well as those who want to inspect a written determination. Comments are due by 8/1/77, and the rules are proposed to be effective with respect to determinations issued in response to requests submitted after 10/31/76.

#### SPECIAL: GUIDE TO RECORD RETENTION REQUIREMENTS REVISED

The revised edition of the "Guide to Record Retention Requirements" as of 1/1/77 was reprinted in the 6/7/77 Fed. Reg., pp. 29182-285. The Guide tells the user what records must be kept under federal laws and regulations, who must keep them, and how long they must be kept. This year's edition also includes the name, address and telephone number of contact persons within each agency who can answer questions about the material in the Guide.

#### SPECIAL: SEC ENDORSES FASB AT FINAL METCALF HEARING

SEC Chairman Harold Williams told the Metcalf Subcommittee last Monday that private sector establishment of accounting standards, "with effective oversight by the Commission, provides the best approach." Mr. Williams urged, however, that the recommendations of the FAF Structure Committee be promptly implemented.

While noting that improvements can be made in the auditing standards setting process, Mr. Williams stated that the SEC does not believe it should



set such standards. Instead, he urged the creation of a small full-time board to discharge this responsibility.

Two major areas of concern to the SEC are independence and discipline, according to the Chairman. Mr. Williams announced that proposed rulemaking proceedings will be held soon to require more complete disclosure and discussion in cases of discharge of auditors by their clients. In addition, the SEC will also propose rules requiring client companies to disclose the full range of services provided by their accountants and the fees charged. The Commission is concerned about the propriety of certain non-accounting services such as management assistance and executive recruiting, and whether this compromises the auditor's independence.

Finally, Mr. Williams condemned the present disciplinary machinery as having "clearly failed" and endorsed a more "objective" mechanism whereby peer review would be conducted by a mix of small and large firms and others, such as academicians. The SEC Chairman called proposals for federal regulation of accountants a "possible solution", but countered with an alternative proposal for a self-regulatory organization subject to SEC oversight.

The series of hearings were ended at the conclusion of the SEC testimony, with a promise by Mr. Williams to issue a report to the Subcommittee by July 1, 1978, analyzing the progress of the profession and the Commission in "addressing these challenges."

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